

Message Text

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ORIGIN AID-59

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DRAFTED BY USIBRD:MEGONZALES/HREYNOLDS:DA
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TO AMEMBASSY SEOUL

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E.O. 11652: N/A

TAGS: ETRD, BENC, KS

SUBJECT: MAJOR PROJECTS: IBRD STAFF INTERVENTION DIS-
ADVANTAGES TWO U.S. FIRMS

REF: SEOUL 6654

1. U.S. OFFICE AT IBRD HAS DISCUSSED PROJECTS REPORTED ON
REFTEL WITH WORLD BANK STAFF AND WITH REPRESENTATIVES OF
BOTH TRANSASIA ENGINEERING AND ENGINEERING CONSULTANTS
INTERNATIONAL (ECI). FACTS ARE SET FORTH BELOW.

2. BANK'S PROCEDURES FOR SELECTION OF CONSULTANTS OUT-
LINED IN "USES OF CONSULTANTS" BOOKLET ACKNOWLEDGES THAT,
WHEN A FIRM HAS CARRIED OUT PRE-INVESTMENT STUDIES FOR
PROJECT AND IS TECHNICALLY QUALIFIED TO UNDERTAKE DETAILED
ENGINEERING DESIGN AND IMPLEMENTATION, THERE ARE USUALLY
ADVANTAGES IN APPOINTING SAME FIRM TO UNDERTAKE LATTER
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WORK. HOWEVER, (A) A PROPOSAL FROM THE FIRM, RESPONSIVE
TO TERMS OF REFERENCE APPROVED BY THE BANK, WHICH INCLUDES
A BUDGET, AND (B) INFORMATION ON FIRM'S ABILITY AND THE
TECHNICAL QUALIFICATIONS OF STAFF TO PERFORM DETAILED ENGI-
NEERING AND DESIGN, MUST BE SUBMITTED TO BANK FOR APPROVAL
PRIOR TO SELECTION. IN CASE OF SECOND PORT PROJECT, BANK
STAFF BELIEVES, AND HAS ADVISED BORROWER, THAT CHARACTER AND

COMPLEXITY OF PROJECT ARE SUCH THAT IT WOULD BE TO

BORROWER'S ADVANTAGE TO INVITE PROPOSALS FROM A NUMBER OF QUALIFIED ENGINEERING FIRMS FOR DETAILED DESIGN WORK BEFORE MAKING FINAL SELECTION. IT IS NOT BANK'S INTENTION, HOWEVER, TO EXCLUDE TRANSASIA FROM BEING INVITED TO SUBMIT PROPOSAL. BANK HAS SPECIFICALLY ADVISED KMPA THAT THEY ARE FREE TO INVITE PROPOSAL FROM TRANSASIA IN ASSOCIATION WITH EXPERT FIRM SPECIALIZED IN MAJOR PORTS DESIGN AND CONSTRUCTION (SUCH ASSOCIATION BEING INTENDED BY TRANSASIA IN ANY EVENT). BANK STAFF HAVE INFORMED U.S. ALTERNATE DIRECTOR (REYNOLDS) THAT BANK WOULD NOT OBJECT IF KMPA, IN LIGHT OF TRANSASIA'S WORK ON PRE-INVESTMENT PHASE, CHOSE TO INVITE PROPOSAL EXCLUSIVELY FROM TRANSASIA IN SUCH ASSOCIATION, RATHER THAN FROM A NUMBER OF FIRMS AS BANK STAFF HAS RECOMMENDED. SITUATION HAS BEEN THOROUGHLY DISCUSSED HERE WITH TRANSASIA REPRESENTATIVES. REYNOLDS HAS WRITTEN TO ATTORNEY REPRESENTING TRANSASIA REPORTING ON HIS DISCUSSIONS WITH BANK STAFF.

3. RE CHUNG JU MULTIPURPOSE DAM, UNDERSTANDING HERE IS THAT ROKG HAS DECIDED TO TAKE ADVANTAGE OF BILATERAL JAPANESE OFFER TO FINANCE EQUIPMENT AND ENGINEERING PORTIONS OF THE PROJECT (ABOUT \$50 MILLION) AND TO REQUEST BANK TO FINANCE CIVIL WORKS (SOME \$100 MILLION). BANK'S GUIDELINES ON SELECTION OF CONSULTANTS DO NOT GOVERN LIMITED OFFICIAL USE

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FINANCE PROVIDED BY OTHER AGENCIES. NOR DOES BANK POLICY PRECLUDE BORROWERS FROM PROCEEDING IN SUCH FASHION WHERE THEY HAVE OFFERS OF FINANCE FROM OTHER SOURCES TO COVER SPECIFIC PORTIONS OF PLANNED PROJECTS. BEFORE AGREEING TO FINANCE CIVIL WORKS PORTION, HOWEVER, BANK WOULD, OF COURSE, HAVE TO BE SATISFIED THAT FIRM SELECTED FOR ENGINEERING IS CAPABLE AND THAT THE ENGINEERING MEETS BANK'S STANDARDS. ALSO, ROKG IS FREE TO REQUEST BANK TO FINANCE ENGINEERING (AS WELL AS CIVIL CONSTRUCTION) IF THEY PREFER NOT TO BE LIMITED TO CHOICE OF JAPANESE FIRMS. ECI REPRESENTATIVES HAVE DISCUSSED MATTER FULLY WITH BOTH BANK STAFF AND U.S. OFFICE, AND HAVE CLEARLY INDICATED TO LATTER THAT THEY ARE SATISFIED BANK HAS NOT ACTED IMPROPERLY. CHRISTOPHER

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Disposition Case Number: n/a
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